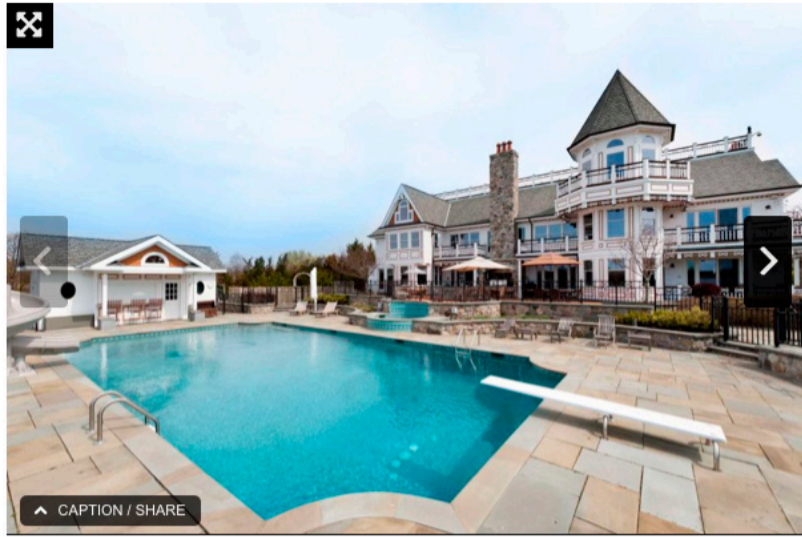


Post-Sandy: Prices, sales up for waterfront homes on LI

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In spite of everything, Long Islanders still want homes on the water. That's what first-quarter sales numbers showed some 18 months after superstorm Sandy ravaged many coastal communities across the Island in October 2012.

"I've definitely seen an increase in activity in the waterfront markets," says Anthony Atkinson, president of the Multiple Listing Service of Long Island. "Buyers know prices will be increasing, so they want to take advantage of the market right now," he says.

"Everybody wants waterfront," says Nicholas Planamento, associate broker for Town & Country Real Estate. "The question is whether you can afford it."

That's a big question: Flood insurance premiums continue to rise for homes in high-risk locations as a federal law phases out subsidies that had previously helped keep rates low.

Federally regulated or insured lenders are mandated by Congress to require flood insurance on homes in high-risk locations -- areas with a 25 percent chance of flooding during a 30-year mortgage, according to the National Flood Insurance Program.

The new rules can take a bite out of buyers' budgets. House hunters may be able to afford the sticker price but find themselves priced out of a waterfront purchase once they factor in the extra expenses. Those in the moderate price range are the most susceptible to this, says Planamento.

Atkinson says he's seeing the most waterfront action among Long Island's move-up buyers -- those trading up to their second or third home. "Between \$500,000 to a million is where the major activity is," he says. Higher-end homes are moving, too, he adds. "I would say about 30 or 35 percent of the activity is over the 1 million mark," says Atkinson, who is broker and owner of Weichert Realtors Quality Homes in Baldwin.

Planamento, who sells East End homes, says luxury buyers seem largely undeterred by the additional costs of flood protection. "The consumer is always there," he says. "People want what they want." And if what they want is waterfront, they're willing to pony up for it, he says.

"There's clearly a premium for waterfront, and people seek that out," says Jonathan Miller, chief executive of Manhattan real estate appraisal firm Miller Samuel. "I think the large take-away from this is that the impact of Sandy in terms of housing prices and transactions has not been as severe as what was feared."

To get a clear picture of Long Island's waterfront markets before the storm, during the aftermath and one year later, Newsday compared home sales and prices in the first quarters of 2012, 2013 and 2014, using data from a search of the Multiple Listing Service of Long Island, as well as market reports from Miller Samuel and Town & Country Real Estate.

Following is a look at the state of Long Island's waterfront markets.

NORTH SHORE

In terms of Sandy's effects, the North Shore was not as badly hit as the South Shore, says Jill Berman of Douglas Elliman Real Estate in Port Washington. In fact, sales and prices shot up in the first quarter after Sandy -- although that may have had little to do with the storm, says Miller. After the storm, there were 31 first-quarter sales of waterfront homes on the North Shore -- a fivefold increase over the region's modest six waterfront sales in the first quarter of the previous year. Miller says though lackluster activity in early 2012 causes the rise to appear dramatic, it's "simply the market waking up, despite Sandy." The first quarter median sale price rose 14 percent from 2012 to 2013, from \$1.185 million to \$1.35 million.

This year, there were 17 waterfront sales in the first quarter -- that's close to three times the number sold in the pre-Sandy market, although it's down 45 percent compared to the post-Sandy peak. The median sale price was \$1.2 million -- that's up 1.3 percent compared to the pre-Sandy median, and down 11 percent compared to the price bump during the storm's aftermath.

Buyers seeking affordable waterfront properties on the North Shore should try looking in Suffolk County, says MLSI President Anthony Atkinson. "Farther out ... there are more homes for under a million," he says.

SOUTH SHORE

Sales surged while prices sank during Sandy's aftermath on the hard-hit South Shore. The number of first-quarter waterfront sales in 2013 more than doubled compared to the previous year, from 22 to 54, while the median sale price fell 25 percent, from \$575,000 to \$432,500, according to Multiple Listing Service of Long Island data.

"The damage caused by Sandy, along with the increase of flood insurance premiums and homeowners' desire to move, increased the supply of homes on the market above buyers' demand, and this caused prices to fall on the South Shore," says Atkinson. "Buyers moved to take advantage of the reduced home prices, because they know the future value of waterfront homes, and they still have a strong desire to live and enjoy the waterfront lifestyle on the South Shore of Long Island."

Miller says there were additional factors impacting the market at that time. "We saw rates starting to fall at that point. The drop in prices was a function of more lower-priced homes moving," he says. "People were buying people out, and so maybe, short term, that took some of the edge off of prices. That was not a significant phenomenon, but played a role in addition to rising strength in the entry level market."

The number of sales is still up. In the first quarter of 2014, 60 waterfront homes sold. That's almost three times the number of sales in the pre-Sandy market and an 11 percent increase compared to sales in the quarter just after the storm. Prices are on the rise, though still below their pre-storm levels. The first quarter median was \$450,000 -- up 4 percent compared to the post-Sandy market, but still down 22 percent compared to the pre-Sandy market.

Lower prices don't necessarily translate into more affordable homes, since flood protection costs may negate any discounts on the purchase price, says Miller. Yet waterfront living is expected to remain desirable for those who can afford it. "I don't think there will be people running away from waterfront," Miller says.

Joyce Coletti of Prudential Douglas Elliman says that even in Sandy-ravaged Long Beach, demand is back for oceanfront homes, as long as they're priced right and in good condition. "Once buyers realize we have gone through an entire year without a storm, their confidence is renewed," she says.

EAST END

Waterfront sales on the East End, which includes the Hamptons and the North Fork, experienced a post-Sandy "hiccup," real estate analyst Jonathan Miller says. "They were hit a little bit harder than the mainland. You can see that in prices and in sales activity," he says. Following the storm, the number of first-quarter waterfront sales fell 29 percent, from 55 in 2012 to 39 in 2013, and the median sale price dipped 6 percent, from \$1.275 million to \$1.1975 million for the same time periods, according to Miller Samuel data.

The slowdown may partly reflect a wait-and-see attitude. "Overall, the East End seller behaves a little more conservatively," says Town & Country's Planamento. Having the option to rent out the home over the summer can relieve homeowners of the urgency to sell. "You don't need to liquidate an asset if you can afford to keep it," Planamento says.

First-quarter prices and sales are both up this year, Miller Samuel reports. The median price was \$1.685 million -- a 40.7 percent increase over 2013 and a 32.2 percent increase over 2012. There were 61 sales of waterfront homes in the first quarter of this year -- a 56.4 percent increase compared to the first quarter following Sandy and 10.9 percent more than the first quarter of 2012.

However, homes on the water made up a smaller portion of East End sales than they did before Sandy. In the first quarter of 2012, 55 of the region's 236 sales were waterfront homes, making up 23.3 percent. That first-quarter share fell to 16.8 percent during the storm's aftermath in 2013.

This year, homes on the waterfront accounted for 21.1 percent of the region's 289 sales -- an increase over the post-Sandy share, but still not quite back to where it was before the storm. "The activity, while it rebounded quite a bit on the waterfront in terms of share, didn't account for the same share total as pre-Sandy. It's still a little shy," says Miller.

"I think there's an awareness of the perils and pleasures of living on the water," says Planamento.

RISING FLOOD INSURANCE

Homeowners in flood zones were hit with skyrocketing flood insurance premiums when a law enacted in 2012 began phasing out federal subsidies that had helped keep rates in check. The law endeavors to shore up the National Flood Insurance Program, which was \$24 billion in the red, thanks in part to those costly subsidies. Changes to the legislation this year require that rates go up gradually instead of immediately. But make no mistake, they will go up: Many homeowners could face up to 18 percent hikes on primary residences and up to 25 percent on second homes every year till they hit full-risk rates. -- Kristin Taveira

WATERFRONT HOMES FOR SALE

• NORTH SHORE

LOW END

Baiting Hollow: \$398,999

This two-bedroom, two-bathroom condo features views of the Long Island Sound. It's high on a bluff, so no flood insurance is needed, says listing agent Stephan Mandresh of Douglas Elliman Real Estate, 631-298-6180

HIGH END

Sands Point: \$9,999,999

This six-bedroom Colonial, which has seven bathrooms and two half-bathrooms, features water views from every principal room. Jill Berman, Douglas Elliman Real Estate, 516-375-9101

• SOUTH SHORE

LOW END

Oceanside: \$299,990

The kitchen, bathroom, windows, siding and gas heat are all new in this two-bedroom, one-bathroom bungalow off Parsonage Creek in Oceanside. Kathleen Evangelista, Douglas Elliman Real Estate, 516-456-9278

HIGH END

East Islip: \$4.5 million

This six-bedroom estate on the Great South Bay has seven bathrooms and two half-bathrooms and features a guesthouse with an additional five bedrooms and four bathrooms. Bonnie Williamson and Patricia Bretone, Daniel Gale Daniel Gale Sotheby's International Realty, 631-427-6600

• NORTH FORK

LOW END

Southold: \$549,000

This three-bedroom, two-bathroom ranch features 180 feet of bulkhead. The home is on a creek with direct access to the Great Peconic Bay. Kristen Rische, North Fork Real Estate, 631-734-7100

HIGH END

Cutchogue: \$3.5 million

This five-bedroom traditional home, which has four bathrooms and two half-bathrooms, is on the Great Peconic Bay. No flood insurance is required because it's on a bluff. Matthew Gillies, Daniel Gale Sotheby's International Realty, 516-779-0551

• HAMPTONS

LOW END

East Quogue: \$499,000

This three-bedroom, 2½-bathroom ranch, situated in the Hampton Point waterfront community, has access to Shinnecock Bay. Frances Nill, Hampton Estates Realty LLC, 631-288-6333

HIGH END

Westhampton: \$9.5 million

This seven-bedroom, 7 1/2-bathroom Postmodern home features 300 feet of waterfront and access to Moriches Bay. Craig Amodemo, Hampton Estates Realty LLC, 631-288-6333